# EFFECTS OF BUDGETING AND BUDGETARY CONTROL IN EXTRACTING INDUSTRY.

**(A CASE STUDY OF SHELL CORPERATION OF NIGERIA)**

# BY

**IDEGWU .D. CHUKWUKA ACC/2009/550**

# DEPARTMENT OF ACCOUNTANCY FACULTY OF MANAGEMENT AND SOCIAL SCIENCES

**CARITAS UNIVERSITY AMORJI – NIKE, ENUGU**

# AUGUST, 2013.

**TITLE PAGE**

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# SUBMITTED TO THE DEPARTMENT OF ACCOUNTACY FACULTY OF MANAGEMENT AND SOCIAL SCIENCES, CARITAS UNIVERSITY AMORJI – NIKE, ENUGU

**IN PARTIAL FUFILMENT FOR THE AWARD OF BACHELOR OF SCIENCE (B.Sc) IN ACCOUNTANCY.**

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# APPROVAL PAGE

This is to certify that the research was properly earned out by IDEGWU .D. CHUKWUKA, Registration number Acc/2009/550, and I approve that the research is satisfactory for the department of accountancy Caritas University Amorji – Nike, Enugu.

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# Dedication

To the Lord Almighty for his infinite mercy, his gift of knowledge, wisdom good health and countless blessing towards my life during my academic race in the university and to loving parent, friend and relation for their contribution towards my success.

# Acknowledgement

My sincere gratitude goes to god almighty first for giving me the strength and wisdom to complete this project work, for I am indeed grateful to my loving parent Mr.and Mrs. peter Idegwu for their remarkable support on my education.

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Finally my thanks goes to my friends and course mate of the noble institution for their hate and love has made strive forward.

# Abstract

The main aim of this write up is to throw more light on the review of budgeting control in a extracting industry. This research purely base on budget as an instrument of control in an organization and also as a means of highlighting the role of budget in any establishment and society at large. Data were collected for this research work were from both secondary and primary source. With the population of 180,questionnaire were administered and interview conducted for a sample size of 180 persons made up of staffs of the corporation .in any attempt to make the research meaningful and comprehensive the researcher has to divide the entire work into five chapters.which comprises of the deal with the introduction where the researcher give a brief discussion of the concept statement of problem, limitation and scope of the study.and also comprises of the literature review which deals with definitions of term classification, important of the subject matter “budget” with the following chapter deals on research methodology which explains the research design and also forms the basis for data collection.also states the analysis and interpretation of data and also shows that the hypothesis was tested, the concluding chapter throws more light on the work by summarizing the work and given the recommendation.

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# CHAPTER ONE

* 1. **Background to the Study**

Today the important of budget and budgetary control can never be over emphasized. Thus for survival of any oil cooperation, management need to embark on budget to effect proper planning and control. In this view, budgeting can be seen as a process of planning and control. Proper budgeting can never affect efficient plans of an organization without control. Control as it were is an important tool which must be priced to keep in check with the plans of the firms and for correction of any deviation from the stipulated plan of the organization in question. Hence a budgetary control comprises of both plan of operation with the scope of the plan. In pursuit to this, data were collected from journals and related works. In consequent writings it reviews the response of people and it was made known through questionnaires that the factors that affect the company’s profitability most in general economic conditions in the contrary as the people stated that cash budget is the best type of budget. For any cooperation such as multi-national oil company i.e. shell cooperation, would want to succeed it business executives must make use of budgetary control measure to avoid failure in business.

They are different classes and types of budget for different entities i.e. fixed budget, Flexible budget, Master budget, Zero budget and annual budget for government entities. It should be observed that whatever the class or structure of a budget they are used for maximizing managerial efficiency and also to ensure that the activities of the cooperation are not left to chance. In organization the introduction of budget and budgetary control systems compels members of the cooperation from the top hierarchy to the bottom to plan ahead this is undoubtedly paramount owing to the higher level of uncertainty facing present day managers and accountant. Budgets formulate expected performance and

express managerial target which gives meaning and direction to the operation in an organization. Budgets are established to guide action within a defined period. At the end of the period the actual result are compared with the budgetary performance, any discrepancies otherwise known as variance is analyzed for the purpose of showing the cause of such discrepancy and initially informed decision to prevent re-occurrence. These variance that could be favorable are of importance to the day-to-day existence of any organization.

A budget is an agreed plan of action used to provide directions and coordination giving more structure to any organization as well as motivation of staff to achieve it basic objective performance management is described as the process of quantifying the efficiency and effectiveness of an action. To achieve performance manager or top executives have to be in control.

Types of Control arm referring to are

* + 1. Financial control
    2. Budgetary control

# Statement of Problem

Budget is a managerial aid to planning and controlling the operations of any cooperation, such as planning and controlling involve forecasting into the unforeseeable future an attempt to ensure that the organization is sustained, virtually in all organization managers and executives assumes managerial role of planning and controlling their operation with the use of budgeting techniques which enables them to stand the test of competition among other industries.

For these reason the researcher has carefully observed that the following problem would emerge in an organization and some of these problems arises from the following;

1. Budgetary control can be seen as pressure device imposed by management to attain its objectives thus resulting to
   1. Bad labour relations.
   2. Inaccurate record keeping.
2. Departmental conflicts arises from
   1. Disputes over resource allocation method.
   2. Department blaming each other if targeted objectives are not being attained.
   3. Conflicting objectives.
3. It’s difficult to reconcile personnel and individual cooperate goal.
4. Waste arises as managers adopt the view we had better spend it or we will lose it. This sometimes compelled with entire building in order to enhance the prestige of a department.
5. Managers may over estimate cost so that they will not be blamed in the future, should they over spend.
6. Organization activities will be characterized by planlessness event will be left to chance and the entire organization would lose directions which could result to organizational inefficiency.
7. They will be no yard-stick against which actual result can be measured and this management will be tempted to the complacent with any level of performance.
8. Activities will be sectional and unintegrated, they will be tendency for every part of the organization to formulate it own objectives, strategies and policies which will not in any long-term achieve the entire organization purpose, mission and objectives.

# Objectives of the Study

It has been noted that budget are necessary tool to an efficient and effective planning process in an organization, the effectiveness of budget as a tool to management depends on whether the plans under the budget are well formulated. The objectives are essentially:

1. To investigate concisely the budgetary control of shell as a cooperation with the view of determining their efficacy in the managerial process of the company.
2. To find out the extent of use of budgeting as a tool for its managerial planning and control process.
3. To find out how budgeting is help in coordinating the activity of various department in the company.

# RESEARCH QUESTIONS

Some basic researches questions are meant to be asked are as follows.

1. How can budgetary control system be used to predict concisely the operations of the company and determining the efficacy of managerial process.
2. How far has budgeting control system used as a tool for managerial planning and control process in extracting industry.
3. How can budgeting control system coordinate the various activities of extracting industry thereby securing its operations?

# STATEMENT OF HYPOTHESIS

The objectives of the study are to find out if persistent deviation of actual expenditure from budgeted expenditure constitutes inefficiency for the above purpose. The following hypothesis can be formulated;

Hypothesis One

H0: Budgeting control system is a not tool be used to predict concisely the operations of the company and determining the efficacy of its operations.

H1: Budgeting control system is a tool used to predict concisely the operations of the company and determining the efficacy of its operation.

Hypothesis Two

H0 : Budgeting control system cannot improve managerial planning and control process of the firm.

H1 : budgeting control system can improve managerial planning and control process of the firm.

H0: Budgeting control systems do not coordinate the various activities of the organizational operations and securing it.

H1: Budgeting control system coordinates the various activities of the organizational operations and securing it.

# SIGNIFICANCE OF THE STUDY

It can be beneficial for the researcher that the study will be of the following;

1. That the management of shell Petroleum Company in Nigeria is aiding them to policies, the planning and controlling aspect of managerial

function will be clearly stated and understood as it is applicable to the cooperation for better achievement of its objectives.

1. That other cooperate individuals, agents, accountant, businessmen and women, government parastatal, and scholars who may be interested in these form of budgetary system of aforementioned company might make an objective use of it.
2. The study might show the effects of budget information’s to the cooperation and possibly the remedies and the impact it generate on these remedy to effect of the society in general.
3. The research work also gives a long way in increasingly the knowledge of students studying budget control system.

# SCOPE OF STUDY

The scope of the study is as follows

1. The study is basically restricted to 2001-2005 operating and capital expenditure budget of entering shell cooperation.
2. The analysis made in this study was based on data made available to the researcher by the company’s staff and head of department and top executives of the firm in response to the researchers question that were administered.
3. The scope of theses study can only be limited to budgetary control system of shell cooperation in Nigeria.
4. The study also investigates and evaluates budgetary control measures in Nigeria i.e shell cooperation to its regards.

# LIMITATION OF THE STUDY

1. The reluctant nature of part of the company’s personnel in making data available for the purpose of the study, although the budgetary unit was of greater help, they were also constrained by the company’s rule and regulations that relate to the release of the information.
2. The researcher’s work was carried out along side with academic work this means sharing of the available time between the researcher’s work and other academic and non-academic work all the factor mentioned above restricted the researcher from covering large scope of the study as would have been desirable.
3. Budgetary control can result to short term analysis of the researchers decision to keep within its budget variation rather than the right long decision analysis which might exceed the budget variation.
4. Managers of the cooperation or top executives in the company can be too pre-ocupied with the setting to focus on the realistic objectives of target performance and in acquiring better and more customers.

# CHAPTER TWO

# REVIEW OF RELATED LITERATURE

# INTRODUCTION

The concept of budget control has come of age, it has given business managers concern as to how best this concept of budget can be applied in executing their managerial functions of planning and controlling the activities of their organization. The emphasis on budget has been on it effect on planning and controlling the operation of the business in the entity. Planning as part of a managerial function shows an organization the direction to follow in other to achieve its stated objectives, analysis of alternatives options open to the organization for the attainment of such organizational objectives choosing an alternative option from the available options and translating the chosen option into quantitative and monetary values through the formation of a budget for the organization for a given period of time. in the simplest form a budget is a plan or forecast in the form of a list showing spending items and or incoming revenue item with a figure for each item. As time passes the actual spending or revenue generated may be entered into the list to compare with the original budgeted figure. If there is a difference between planned and actual figures, the difference is called a VARIANCE.

A company’s quarterly operating budget for instance may forecast spending for employee training. The annual training spending figure may be set first for management and control purpose, but this can be broken down later into monthly or quarterly figures. Two quarter into an annual budget circle, figures for item employee training might in real business world, some variance between actual and budgeted figures is normal and expected large quarterly variance however call for either

* + 1. Adjusting the forecast to represent the new expected reality or
    2. Controlling actual spending in future quarters so that the yearly variance comes closer to zero.

Control is an element of managerial tool and it involves the measurement and the correction of the performance of subordinates to ensure that the objectives of the organization and the plans designed to attain it desired objectives are accomplished efficiently and economically. Majority controls involves establishment of standards, feedbacks of results revealing the need for correction action and analysis of deviation so that future plans can be re- adjusted to suit any given competitive operations.

Researchers have been executed to determine some of the results obtained so far from these studies are inclusive and inconsistent. It has been found that participation in budget goal setting has a direct positive effect on managerial performance. This embraces efficient allocation of scarce organizational resources in a manner that will assist to realise corporate objectives which the main aim of budget being to provide a orderly administrative of the company’s resource in such a way that maximum return on investment i.e. Dividend can be achieved.

# DEFINITION OF BUDGET AND BUDGETARY CONTROL

Budgeting is the mechanism involved in developing a budget, while budget can be defined by the institution of cost and management accountant “1982” (ICMA) as a financial and quantitative statement prepared and approved prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining a given objective it may include income, expenditure and employment of capital. From these definitions it can be deduced that budget is a statement which is prepared prior to the commencement of the operations of the organization and this statement expresses not only the monetary terms of the

business intend to achieve with the spans of time covered in the budget. Such policies, programme and strategies include profitability policy, growth policies, expansion strategies and the totality of all programmes aimed at systematically achieving the cooperate objectives. In 2009 Amos A. Abohi describe budget as the quantification of a plan of action proposed towards some future objectives it gives written details of a plan showing activities required to achieve the objectives, the inter-relationship of the activities and most importantly the available resources required for each activities and cost involved, it will be seen from the above definition that budget are quantitative statement that translate the intention of the business organization.

ENCYCLOPEDIA BRITANICAL 1971

Defines a business budget as a financial document representing management best estimated plans for the performance of a company during a definite future period. It also involves the integrated group of forecast of expenditure, the receipt profit and changes in assets. It therefore follow that the business budget is a representation of the best and most promising conceivable plans of a business in matching the expected level of expenditure, receipt, income and change in assets by and large budget as can be seen from the various definitions are major features of a most controlled system.

# BUDGET CONTROL

Methodical control of an organization’s operations through establishment of standards and targets regarding income and expenditure and a continuous monitoring and adjustment of performance against them. It can also be defined as a system of management control in which actual income and spending are compared with the planned establishment of budget relating the responsibility of top executives to the require policy and the continuous comparism of actual with budgeted results either to secure by individual actions the objectives of that

policy or to provide a firm basis of it revision or in simple words budgetary control is the implementing budget and making managers responsible for implementing it.

# ESSENTIAL OF BUDGETARY CONTROL

* + 1. Establishment of budgets for each function and section of the organization.
    2. Continuous comparism of the actual performance with that of the budget so as to know the variations from budget and placing the responsibility of executives for failure to achieve the desire result as in the budget.
    3. Revision of budget in light with changed event activities of the cooperation may change due to pressure imposed on management to attain a desirable objective.
    4. Taking suitable remedial action to achieve it objectives if there is a variation of the actual performance from the budgeted performance.

# OBJECTIVVES AND PURPOSE OF BUDGETARY CONTROL

Pan day 1998 succinctly defined budgeting as a systematic and formularized approach for stating and communicating the firms expectation and accomplishment of it plans, coordination, and controlling responsibilities of management in such a way as to maximize the use of given resources the objectives of the organization in the budget to manage both human and material resources of an organization and to plan for future thus a budget of an organization whether family, private or public must be prepared in the four main

point of management (i.e. Men, Money, Machine, and Material). Some of the objectives are

* + 1. PLANNING: A budget is a plan of the policy to be pursued during the defined the defined period of time to attain a given objectives. The budgetary control will force management at all level to plan in time all the activities to be done during the future period. Planning helps to detail the plans of the organization by specifying the resource input and their financial complication it does show plans which are not only economically valuable but are also financially feasible. Budget ensure that plans are sound by determines made for optimum realization at objectives.
    2. CO-ORDINATION: The budgetary control coordinates the various activities of the firm and secures cooperation of all concerned so that the common objectives of the firm may be successfully achieved.
    3. MOTIVATION: The targets for adequate performance which are set using budget motivation of personnel operation to excel as they then endeavour to meet or exceed their respected target in relation to the resources given. Budget target are incentive to attain.
    4. CONTROL: Control consists of the action necessary to ensure that the performance o the organization conforms to the plans and objectives. Budgetary control makes control possible by continuous comparism of actual performance with that of the budget so as to report the variation from the budget to the management for corrective actions. Budget provides physical target which enables actual performance which reveals devotion that assist corrective action to ensure a better control of activities.

# TYPES OF BUDGET

Basically budget of an organization are of two types which are those that are related to the main activities of the organization and that which relate to the financial aspect of the organization. Amos A. Abohi 2009 finally distinguished these two operating and financial budget. Capital budget, sales budget, production budget, selling expenses budget, cash budget. The budgeted balance sheet and capital expenditure budget.

* + 1. CAPITAL BUDGET

Capital budgets forecast and spending for capital expenditure (CAPEX) The acquisition of capital asset, usually long lasting, expensive acquisition that goes onto the company’s balance sheet as assets. On the company’s income statement, capital asset contributed to depreciation expenses throughout their depreciable lives when deciding which capital investment to make companies usually use a combination of forma financial criteria including Net Present Value (NPV), Internal Rate of Return (IRR), Return on Investment (ROI) and payback period. Potential investment are also evaluated with respect to strategic consistency and risk. And because capital spending is planned to maximize vale investment should be undertaken only when expected returns are equal to or greater that the average cost of capital. Capital is planning

* + 1. OPERATING BUDGET

Generally, an operating budget covers operating expenses (OPEX). For normal operations, operating budgets are typically developed through a process different from that used for capital budgets. In some countries, all management above a certain level participate in the process. Planned spending on operating expenses is usually not changed during the period except possibly for emergency reductions following unexpectedly poor

sale result or other disasters. In order words, spending plans for operating expenses are more often treated as a static budgets rather than flexible budgets.

* + 1. CASH BUDGET

Encyclopaedia explains 'cash budget' as a cash budget which is extremely important especially for small businesses, because it allows a company to determined how much credit it can extend to its customers before it begins to have liquidity problems. A cash budget which is a tool for planning and controlling near-term spending, normally including cash flows (including revenue) and cash outflow (spending and expenses). In businesses, these serve a purpose similar to the check book register used by individuals to track deposits and checks for personal checking account from the cash budget, one can see immediately the level of cash on hand and how that will change with spending. Cash budgets are typically planned with a series of month in view, although they can also show cash revenue and spending on a weekly, quarterly or annual basis. The distinguishing feature of the cash plan is that it represents actual cash inflows and outflow in the period they occur thinn contrast with the system of accrual accounting which most companies use for the period of their Financial reporting in which most company receivable and liabilities are reported for the period in which they incurred even though the actual cash transactions may occur in another period.

* + 1. SALES BUDGET

Accounting for Management (Google search engine) defines sales budget as a detailed schedule showing the expected sales for the budget period typically, it is expressed in both dollars and unit of production. An accurate sale budget is the key to the entire budgeting in some way. If the

sales budget is slopily done then the rest of the budgeting process is largely a waste of time. The sales budget will help determine how many units will have to be produced. Thus, the production budget is prepared after sales budget. The production budget in turn is used to determine the budgets for manufacturing cost including the direct material budget, the direct labour budget, and the manufacturing overhead budget. These budgets are then combined with data from sales budget and the selling and administrative expenses budget to determine the cash budget. The selling and administrative expenses budget is both dependent on and a determinant of sales budget. This reciprocal relationship arises because sales will in part be determined by the funds committed for advertising and sales promotion.

* + 1. PRODUCTION BUDGET

Accounting for Management (Google search engine). The production budget lists the number of units that must be produced during each budget period to meet sales needs and to provide for the desired ending inventory. Production needs can be determined as follows

Budgeted Sales in Unit xx

Add desired ending inventory xx

Total need xxx

Less: Beginning Inventory (xx)

Required Production xxx

The information provided by the budget and the inventory estimates acts as the stepping stone for the preparation of production budget. In effect the production budget is a variation of sales budget it show that the volume of output that should be produced in the budgeted sales. This has taken into account the stock of goods at hand at the beginning of the budgeted period closing stock the budget sales quantity plus the planned

closing stock minus the stock of goods in hand gives the required production budget.

* + 1. PURCHASE BUDGET Diane Lynn, Demand Media

The ability of a small business owner to the budget costs has a direct impact on the profitability of the business. A purchase budget is just one of a company's overall functional budget strategies. The budget differs from a profit or expense budget because the focus of the budget is determining the organizational requirement for material purchases and inventory. Any company or organization that produces or sells a tangible product needs a purchases budget. The amount of material to be purchased from suppliers will be embedded in the requirement of the factory and planned level of required material to be held in store. The production of these figures requires the coordination of idea of the store manager, production manager and the Accountant in charge.

* + 1. SELLING, ADMINISTRATIVE EXPENSE BUDGET

Budgets like the production overhead budget is usually divided into its variable and fixed component. The variable cost inflates with sales while fixed cost remains constant irrespective of sales. This kind of expenses found under such budget are advertising expenditure, carriage outward, insurance, salaries and expenses of sales executives. The selling and administrative expense budget is comprised of the budget of all non- manufacturing departments, such as the sales, marketing, accounting, and engineering and facilities departments. In aggregate this budget can rival the size of the production budget and considerable attention. The selling and administrative expenses budget is typically presented in either a

monthly or quarterly format. It may also be split up into segments for a separate sale and marketing budget and a separate administrative budget.

* 1. BUDGETARY CONTROL

The institute of Cost Management Accountant ''1982'' defines budgetary control as an establishment of departmental budget relating to the responsibility of executives to the requirement of policy of the continuous comparism of actual budgetary result either to secure by individual, action, the objectives of the policy or to avoid firm basis for its revision. Budgetary control defined by Brown and Howard 1995 as a system of controlling, coordinating the department and establishing responsibilities comparing actual performance with that budgeted and acting upon result to achieve maximum profitability. This means that budgetary control involves administration of cost and selling of budget standards. The success of budget depends on the effectiveness of the budgetary control system.

# LIMITATION OF BUDGETARY CONTROL

Though budgeting is major management activity, it has some useful functions for businesses and organizations. It does have great limitations institute of Cost Accountant Management 1982 and Google search engine

* + 1. Budgeting is a time consuming and costly job. The development of budget includes many repetitive steps before the budget can finally be approved. Compare with it cost it provides little valuable, reliable and relevant information.
    2. Budgets are based on assumptions that often turn out to be inaccurate. Budget also cause great deal of waste and behavioural problems, peoples main goal is to meet the budgets so they always try to negotiate to get

lower targets with lower sales and higher costs which are well known as padding the budgets.

* + 1. Another limitation of budgeting is ''over budgeting''. This means the minor expenses are worked out in detail. This will not allow the managers to delegate even minor powers to their subordinates.
    2. Budget may also be used to hide inefficiency unnecessary boosting of certain expenditure and deliberately omitting needed items are quite a common practice.
    3. One of the important limitations of budget is its inflexibility. The figures mentioned are not final. As prices change very often estimates mentioned in the budget may not provide any flexibility.
    4. Budget has psychological reaction and restricts freedom of action. Dale viewed that while on the one hand, people like to know that they are working for and how they will be judged on the other, many of them are resentful of budget restrictions. The seeming incompatibility between the needs of individuals for elbowroom is a yet largely unresolved problem.

IMPORTANT ADVANTAGES OF BUDGET

(CPE FOR CAPS) Accounting tools.

1. Budget aid planning this is not mere forecast but a forecast with numerical expression.
2. Budget helps in achieving coordination as activities in organization are inter related, budget coordinates the expected performance of each department and gives a consolidated picture.
3. Control function is facilitated by budget. It helps to measure performance and focuses attention on deviations for corrective actions.
4. Budget assist in fixing responsibility the executive concerned knows what he is accountable for in the light of results expected to be achieved.
5. The control information's supplied for budget helps decision making of the managers concerned.
6. Budget forces the organization to quantify i.e. State in figures what is required to be achieved.
7. Budget promotes division of work and specialization. Specialization brings efficiency not only in the working of employees but in the organization as a whole.
8. Finally budgetary control brings about an overall improvement in the working efficiency of an organization.

# THE EFFECT OF PLANNING AND CONTROL

Budgets are widely used concept for managerial planning and control in shell cooperation budgetary is known as the profit plans, budgets are strictly based on plans, the result is that fund of the company is intelligently allocated on the basis of what is really needed to accomplish desired goals though the clear goals and action plans to accomplish them are known by the management who also know how much money is necessary to do what is desired by stating plans in terms of numbers and breaking them into component consistent with the organizational structure budget correlated planning and also allows authority to be delegated without loss of control. There is this kind of orderliness that permit managers to see clear what capital is to spend by whom, where and how the use of resources are effectively utilized.

Planning is deciding in advance what we want to do, how to do it, when to do it, and who to do it. Planning bridges the gap from where we are and where we want to go. It makes it possible for things to occur which would not otherwise happen. (Koontz and O'Donnell).

Control is the measuring and correcting of activities of subordinates to ensure that events conform to plans ''Koontz and O'Donnell''. Control is required at all level of management. It main purpose is to ensure that the activities are achieving the desired result. Control is inseparable from planning. Planning provides the basis of control and control compels events to conform to planning without plans control is blind just as uncontrolled activity is lead to failure of plans.

# CHAPTER THREE RESEARCH METHODOLOGY

# INTRODUCTION

In the course of study the research method of data collection based on two main sources, these sources or method are the primary and secondary method of data collection.

The primary data refers to that which has been collected during the course of work in the field. This includes a personal observation the use of questionnaires and personal interview. The administration of the questionnaire was carried out in the budgeting committee department of shell cooperation in Nigeria planning and controlling department of the organization, a personal interview is also hell with budget officer and other line manager as well as production planning manager and member of the company.

The secondary methods were obtained from the financial summary and hand book of Shell cooperation in Nigeria and other reputable next material relating to budgeting.

* 1. RESEARCH DESIGN

The research design selected for this study is an expose factor research design method which the researcher does not have to control over independent variable affecting the organization because they had already occurred and so they cannot be manipulated by the researcher. And this is by administering of questionnaire to staff of the organization and also through oral interview and this were recorded providing answer to problem facing budgeting in an organization.

# POPULATION AND SAMPLE SIZE

Usually the method of technique of communication of the research instrument is by way of personal interview with the number of people living in a geographical area. The research work has deliberately been carried out in basic standard and the measurement gives a better sample of the population that either the mail or telephone technique, it's a practicable technique. It also has demerit that is more or less expensive than mail or telephone technique.

SAMPLING TECHNIQUES AND DESIGN

In the course of research, it's most suitable to use sampling on the respondent which can also be known as random sampling in these case every employee and staff of the organization are recorded for the purpose of analysing variables. This method could also be limited as to as number of staff available for interview are few. After interviewing a good percentage of staff the research uses the random sampling method to obtain valuable information for the study.

# SOURCES AND METHOD OF DATA COLLECTION

The researcher basically could afford to use two method of data presentation and analysis tool; primary source and secondary source of data collection.

PRIMARY SOURCE: Can be regarded as a first hand information obtainable from it raw state for a better understanding of the research work.

* + 1. Personal Interview: The most significant and vital method of collecting data easily is through this source, making a social interaction to members of the society which involves face to face interaction with the personnel management of Shell cooperation.
    2. The questionnaire method of data collection and other sources will be analysed using statistical table with percentages in answering the question and interpretation underneath the table.

Z =







Where;

X *1 and X2* are means of two groups of sample.

*SD1 =* Standard deviation of population 1

*SD2 =* Standard deviation of population 2

*N1 =* Size of sample from population 1

*N 2* = Size of sample from population 2

A four scale was used to award point to each specific question responded by the respondents. The favorable statements are stated as follows.

Strongly agreed (SA) Agreed (A)

Disagreed (D)

Strongly Disagreed (SD)

SECONDARY SOURCES

The secondary method of data collection varies based on information gotten which include

 Brochure and web search  Organization manual

 Magazines and Journals.

* 1. TECHNIQUES OF DATA ANALYSIS

There are different methods of data analysis. Based on the percentage ratio the researcher will engage its analysis based on questionnaire using the Z test statistics and analyzed the information between an observed set of frequency and occurrence of events which are significant.

* 1. JUSTIFICATION FOR CHOICE

The research method of data analysis is an important tool providing the basis for assembling documents. Thus, the data collected in the work are mainly journals, public document, interview and questionnaires.

# CHAPTER FOUR

# DATA PRESENTATION AND ANALYSIS

# AN OVERVIEW

This chapter will be used for presentation and analysis of data gathered during the empirical investigation. The data presented and analysed here was obtained from primary source through questionnaire, simple percentage analysis was used to analyse the response.

The hypothesis proposed was tested using Z-testing.

# ANALYSIS OF RESEARCH QUESTION

|  |  |  |  |
| --- | --- | --- | --- |
| Section of population | Number of  questionnaire distribution | Number returned | Percentage (%) |
| Accountant | 43 | 26 | 45 |
| Auditor | 37 | 36 | 33 |
| Shareholders | 20 | 13 | 21 |
| Total | 100 | 75 | 100 |

Source. Field summary 2013.

# TABLE 4.2.1 ANALYSIS OF DATE SECTION A.

Question 1: Did you attend any professional courses in relation to your job?

|  |  |  |
| --- | --- | --- |
| Response option | Number of response | Percentage (%) |
| Female | 45 | 60 |
| Male | 30 | 40 |
| Total | 75 | 100 |

Source: field summary 2013

All the respondents 60% representing (47) number were female while 40% representing (28) number were male

# Question 2: What is your age?

|  |  |  |
| --- | --- | --- |
| Response option | Number of response | Percentage |
| 20-30 years | 17 | 24 |
| 30-40 years | 28 | 40 |
| 40-50 years | 25 | 28 |
| 50-60 years | 5 | 8 |
| Total | 75 | 100 |

The age categories distributed as really show that the ranges from 20-30 years are fully completed and returned questionnaires with number of 17 representing 24%, 30-40 years returned 28 representing 40%, 40-50 years returned 25

representing 28%, 50-60 above returned 5 representing 8%

# Question 3: What is your background education qualification?

|  |  |  |
| --- | --- | --- |
| Response option | Number of response | Percentage (%) |
| O’Level WASSCE | 21 | 0 |
| OND polytechnic | 5 | 6 |
| HND/B.SC | 19 | 24 |
| MBA/M.SC | 35 | 41 |
| ACCA/ACA | 15 | 29 |
| OTHER |  |  |
| TOTAL | 75 | 100 |

The above analysis of data on academic qualification of respondent shows that there were no WASSCE holder OND return of 5 represented 6% and HND/B.SC returned 19 representing 24% while MBA/M.SC returned 35

representing 41 and ACCA/ACA returned 15 represented 29%

# QUESTION 4: YEARS IN SERVICE/JOB EXPERIENCE?

|  |  |  |
| --- | --- | --- |
| Response options | Number of response | Percentage (%) |
| 1-10 years | 10 | 12 |
| 10-20 years | 40 | 45 |
| 20-30 years | 21 | 37 |
| 30-40 years | 4 | 6 |
| Total | 75 | 100 |

Job experience within 1-10 years is 10 represented 12% 10-20 years, 40

representing 45%

20-30 years is 30 representing 37% and 21 above is 4 representing 6%

# PRESENTATION ACCORDING TO KEY RESEARCH QUESTION

Question One: Does the production department make use of budgeting control system?

Table 4.3.1

|  |  |  |
| --- | --- | --- |
| Response | Number of Respondent | Percentage |
| Strongly agree | 30 | 40 |
| Agree | 20 | 27 |
| Disagree | 15 | 20 |
| Strongly disagree | 10 | 13 |
| Total | 75 | 100 |

Source Field summary 2013..

Table 4.3.1 shows that 30 or 40% of the respondents strongly agree that the production department make use of budgeting control system, 20 or 27% of the respondent agree, 15 or 20% disagree while 10 or 13% of the respondent strongly disagree,from the above one can infere that the production department

make effective use of budgetary control system.

# Question Two: Do budgeting control help the data on budgeting and efficacy of managerial process in the company?

|  |  |  |
| --- | --- | --- |
| Response | Number of Respondent | Percentage |
| Strongly agree | 36 | 48 |
| Agree | 26 | 35 |
| Disagree | 10 | 13 |
| Strongly disagree | 3 | 2 |
| Total | 75 | 100 |

Source Field summary 2013..

Table 4.3.2 shows that the respondent 36 or 48% strongly agree that budgeting control help in the efficacy of managerial process, 26 or 35% merely agree, 10 or 13% disagree and 3 or 4% strongly disagree.this implies that bugeting improves the efficacy of managerial process.

# Question Three: Does budgeting control system influence the managerial planning and control of your company's activities?

|  |  |  |
| --- | --- | --- |
| Response | Number of  Respondent | Percentage |
| Strongly agree | 37 | 49 |
| Agree | 16 | 21 |
| Disagree | 11 | 15 |
| Strongly disagree | 11 | 15 |
| Total | 75 | 100 |

**Question Four: is budgeting control system the only tool for achieving organizational goals and objectives.**

|  |  |  |
| --- | --- | --- |
| Response | Number of Respondent | Percentage |
| Strongly agree | ─ | ─ |
| Agree | ─ | ─ |
| Disagree | ─ | ─ |
| Strongly disagree | 75 | 100 |
| Total | 75 | 100 |

Source Field summary 2013..

Table 4.3.4 shows that 75 or 100% of the respondent strongly disagree that budgeting control is the only tool for achieving organizational objectives.

# Question Five: Can budget actually be used as an instrument of control mechanism in an organization?

|  |  |  |
| --- | --- | --- |
| Response | Number of Respondent | Percentage |
| Strongly agree | 65 | 87 |
| Agree | 10 | 13 |
| Disagree | ─ | ─ |
| Strongly disagree | ─ | ─ |
| Total | 75 | 100 |

Source Field summary 2013..

Table 4.3.5 shows that 65 or 87% of the respondent believe that budget can actually be used as an instrument of control mechanism in an organization.10 or 13% agrees which means that budget is a good instrument of control mechanism.

# Question Six: Does budgeting control really coordinate the activities of your company?

|  |  |  |
| --- | --- | --- |
| Response | Number of Respondent | Percentage |
| Strongly agree | 36 | 48 |
| Agree | 25 | 33 |
| Disagree | 14 | 19 |
| Strongly disagree | ─ | ─ |
| Total | 75 | 100 |

Source Field summary 2013..

Table 4.3.6 shows that 36 or 48% of the respondent strongly agree that budgeting control coordinates the activities of the company, 25 or 33% agrees while 14 or 19% disagree.

# Question Seven: Is budget all about financial responsibility in the company?

|  |  |  |
| --- | --- | --- |
| Response | Number of Respondent | Percentage |
| Strongly agree | 47 | 63 |
| Agree | 18 | 24 |
| Disagree | 7 | 9 |
| Strongly disagree | 3 | 4 |
| Total | 75 | 100 |

Source Field summary 2013..

Table 4.3.7 shows that 47 or 63% 0f the respondents strongly agree that budget is all about financial responsibility, 18 or 24% agrees, 7 or 9% disagrees while 3 or 4% strongly disagree. from the above one can infere that budget is all about financial responsibility.

# Question Eight: does effective and efficient use of resources through the use of budgetary control system improve productivity?

|  |  |  |
| --- | --- | --- |
| Response | Number of Respondent | Percentage |
| Strongly agree | 37 | 49 |
| Agree | 16 | 21 |
| Disagree | 12 | 12 |
| Strongly disagree | 10 | 13 |
| Total | 75 | 100 |

Source Field summary 2013..

Table 4.3.8 shows that 37 or 49% of the respondent strongly agree that budgeting control system improves productivity, 16 or 21% agree, 12 or 16% disagrees while 1 or 1% strongly disagrees.

# Question Nine: should budget formulation be exclusively for accounting department only?

|  |  |  |
| --- | --- | --- |
| Response | Number of Respondent | Percentage |
| Strongly agree | 30 | 40 |
| Agree | 28 | 37 |
| Disagree | 12 | 16 |
| Strongly disagree | 5 | 7 |
| Total | 75 | 100 |

Source Field summary 2013..

Table 4.3.9 shows that 30 or 40%strongly disagree, 28 or 37% agrees, 12 or 16% disagrees while 5 or 7% strongly agrees that budget formulations exclusively for accounting department only.

# Question Ten: There is no other control measure other than budgeting control system in the actualisation of organizational objectives?

|  |  |  |
| --- | --- | --- |
| Response | Number of Respondent | Percentage |
| Strongly agree | 43 | 57 |
| Agree | 12 | 16 |
| Disagree | 7 | 9 |
| Strongly disagree | 14 | 18 |
| Total | 75 | 100 |

Source Field summary 2013..

Table 4.3.10 shows that 43 or 57% of the respondent strongly disagree and 12 or 16% agrees with the fact that the only control measure in determining the actualisation of organization objectives in the budgeting control system, 7 or 9% disagrees, 7 or 9% while 14 or 18% of the respondent strongly agrees that there are other measure e.g. cooperate governance.

# Question eleven: can budget of your company influence the budget of another company?

|  |  |  |
| --- | --- | --- |
| Response | Number of Respondent | Percentage |
| Strongly agree | 33 | 44 |
| Agree | 19 | 25 |
| Disagree | 20 | 27 |
| Strongly disagree | 3 | 4 |
| Total | 75 | 100 |

Table:4.3.11 show that 33 or 44% of respondence strongly agree,19 or 25 agree,20 or 27% disagree and 3 or 4% strongly disagree that budget of one company can influence the other.

# Question twelve:do you think that motivation can improve budget preparation?

|  |  |  |
| --- | --- | --- |
| Response | Number of Respondent | Percentage |
| Strongly agree | 26 | 35 |
| Agree | 25 | 33 |
| Disagree | 4 | 15 |
| Strongly disagree | 13 | 17 |
| Total | 75 | 100 |

Source Field summary 2013..

Table 4.3.12 shows that 26 or 35% strongly agree,25 or 33% agrees,4 or 15% strongly disagree while 13 or 17% strongly disagree with fact that motivation can improve budget preparation.

# Question thirteen: can budget control system be used to evaluate company’s performance?

|  |  |  |
| --- | --- | --- |
| Response | Number of Respondent | Percentage |
| Strongly agree | 29 | 39 |
| Agree | 19 | 25 |
| Disagree | 19 | 25 |
| Strongly disagree | 8 | 11 |
| Total | 75 | 100 |

Source Field summary 2013.

Table:4.3.13 shows that 29 or 39% strongly agree 19 or 25% agrees while 19 or 25% and 8 or 11% disagrees that budget can be used to evaluate company performance

Question fourteen: can budget assist the executives concerned in fixing their responsibility in the light of expected result?

|  |  |  |
| --- | --- | --- |
| Response | Number of Respondent | Percentage |
| Strongly agree | 30 | 40 |
| Agree | 28 | 37 |
| Disagree | 12 | 16 |
| Strongly disagree | 5 | 7 |
| Total | 75 | 100 |

Source Field summary 2013..

Table:4.3.14 shows that 30 or 40% strongly agrees,28 or 37%agrees while 12 or 16% and 5 or 7% disagrees with the fact that can assist management in fixing their responsibility in the light of expected result.

# Question fifteen: can budget promote division of work and specialization?

|  |  |  |
| --- | --- | --- |
| Response | Number of Respondent | Percentage |
| Strongly agree | 26 | 35 |
| Agree | 25 | 25 |
| Disagree | 4 | 15 |
| Strongly disagree | 13 | 17 |
| Total | 75 | 100 |

Source Field summary 2013..

Table 4.3.15 show that 26 or 35% strongly agree and 25 or 25% agrees while 4 or 15% and 13 or 17% disagrees that budget can promote the division of work and specialisaton.

# TYPES OF HYPOTHESIS

There are hypothetical statements that could be tested for the purpose of this research work, they are

# test of hypotheses

The hypotheses are to be tested using the z- test for correction of data. Z =

Where;

Z = test statistics

= means of sample 1

= means of sample 2

*SD1* = standard deviation for sample 1 *SD2* = standard deviation for sample 2 *N1* = sample size for sample 1

*N2* = sample size for sample 2

# Test of hypothesis one

For the purpose of clarity the hypothesis are here by represented thus

Hypothesis One

H0: Budgeting control system is a not tool be used to predict concisely the operations of the company and determining the efficacy of its operations.

H1: Budgeting control system is a tool used to predict concisely the operations of the company and determining the efficacy of its operation.

Hypothesis Two

H0 : Budgeting control system cannot improve managerial planning and control process of the firm.

H1 : budgeting control system can improve managerial planning and control process of the firm.

H0: Budgeting control systems do not coordinate the various activities of the organizational operations and securing it.

H1: Budgeting control system coordinates the various activities of the organizational operations and securing it table 13 using z- test model thus.



 

Table 4.3.1

|  |  |  |  |
| --- | --- | --- | --- |
| Section | No of respondent | Group agreed [sa] | D/ 50] |
| Accountant | 26 | [] 18 | [] 2 |
| Auditor | 36 | 34 | 1 |
| Shareholder | 13 | 19 | 6 |
| Total | 75 | 71 | 9 |

1. To determine the means for the two groups [i.e. x1 and x2]
   1. For x1 [i.e. the group that agreed/ strongly agreed]







For x2 [i.2 the groups that disagreed/ strongly disagreed



1. Is determine the standard deviation of x1 in [i.e. that disagreed/strongly disagreed

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Group that | agreed | Strongly  agreed | Group that | disagreed | Strongly  disagreed |
| X1 | X1-x2 | [x- x1]2 | X2 | X2 –x2 | [x2 –x2]2 |
| 18 | -5.7 | 32.49 | 2 | -1 | 1 |
| 34 | 10.3 | 106.1 | 1 | -2 | 4 |
| 19 | -4.7 | 22.1 | 6 | 3 | 9 |
| 71 |  | 160.69 | 9 |  | 14 |







 











c.) Now the Z test formula will be applied





 

Where



Note = the level of significant is 0.05

[1] decision rule stated that the Ho null hypothesis should be accepted of the z – test calculated is last that the z – critical values of [ 1.96] and the alternative hypothesis should be rejected it is greater than critical value of [1.96]

[iii] The [1.96] is the critical values of 2 for a two tasted test at 0.05 level of significance.

# Solution





 























1. To computer the critical value and computer value Critical value = [ 1.96]

Computer value = 4.55 Computer value = critical value

1. Decision of the acceptance / rejection of H0 and since the cal – culled value of Z is greater than critical value, we shall reject the null hypothesis and up hold the alternative hypothesis.
2. Conclusion H1: There is significant Budgeting control system which can be used as a tool be used to predict concisely the operations of the company and determining the efficacy of its operations.

# CHAPTER FIVE

**SUMMARY, CONCLUSION AND RECOMMENDATION**

# SUMMARY OF FINDINGS

Budgeting is an important aspect in any major organization which makes it the most important in various countries in the world economy.

As stated in the earlier chapters, there are various causes that are prime to various departments that make adequate use of budgetary control system. There are also advantages and limitation in these findings. Since the oil sector in reference to Nigeria is the number one source of revenue in Nigeria. Various instrument and measures are voted for effective utilization of company's resources to attain its objectives and distinguishing actual from budgeted performance off expenditure in considering budget as an instrument of control it helps to encourage high productivity organization development and performance.

Chapter two of the study discusses the literature review on how budget as an instrument of control begin useful effectively and efficiently in an organization. Chapter three considered and examined different research methods, sample and communication of research instrument employed (The questionnaire) to facilitate research findings. Chapter four began by examining the cooperate profile of Shell cooperation in Nigeria as a case study. It also discussed the presentation and analysis and finally chapter five was for the summary, conclusion and recommendation of various stockholders.

# CONCLUSION

The important of budgeting control in an organization cannot be over emphasized, hence the interest to conduct a study. This nature to make further contribution to the business growth and sustenance against this background concludes by saying that if the bane of corruption and minimal spending is to achieve, then sound budget formulation and implementation must be part of organizational culture and cooperate strategies because it is when organization goals and as a privation are achieve that is the only time societal need can be met.

# RECOMMENDATION

In view of the findings of this work and in recognition of the roles of sound budgeting control system, I put forward the following recommendations.

* + 1. Every company establishment must have a sound budget formulation and control.
    2. There is need for wider participation by ensuring that all sundries in the company are made to be part of budget committee by encouraging them to make contributions.
    3. Government should release budget on time because long delay of releasing national budget has bad or negative effect on cooperate goal.
    4. Budget formulations and implementation must be objective of any organization in other to achieve a tangible result.
    5. Regular workshop and seminar will increase knowledge especially in the area of budgeting planning and controlling which stand to reduce wastage and promote cooperate efficiency and effectiveness.

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CARITAS UNIVERSITY ARMOJI-NIKE, ENUGU

DEPARTMENT OF ACCOUNTANCY

8-08-2013

RESEARCH QUESTIONAIRE

Dear Respondent

I am a final year student of Accountancy Department, Caritas University, Amorji-Nike, Enugu. I am conducting a research study on Review of Budgeting and control in an extracting organization and its effects to the activities of the company. This is a partial fulfillment of the requirement for a word of B.sc in accountancy in the University.

I will appreciate your kind assistance in responding to this questionnaire as needed for the completion of the research work, your opinion is required in each case, your response will be treated with utmost confidentiality.

Yours Sincerely

Idegwu D. Chukwuka

ACC/2009/550

# QUESTIONNAIRE

Please tick ( ) for the appropriate options and fill in the gap provided.

# Section A

1. Sex:
   1. Male [ ]
   2. Female [ ]
2. Age Bracket

a. 18 – 25 [ ]

b. 2 – 35 [ ]

c. 36 and above [ ]

1. How long have you been working for the company? Please indicate
2. What department do you work with?

|  |  |  |
| --- | --- | --- |
| a. Production | [ | ] |
| b. Planning/budgeting | [ | ] |
| c. Accounting | [ | ] |

d. Others (please specify)

1. What level of management are you in the company?
   1. Top management level [ ]
   2. Middle management level [ ]
   3. Lower management level [ ]

# Section B

1. The production department makes use of budgeting control system.

d. Strongly disagree [ ]

1. Has budgeting control helped in the efficiency of managerial process in your company?
   1. Strongly agree [ ]
   2. Agree [ ]
   3. Disagree [ ]
   4. Strongly disagree [ ]
2. Has budgeting control system influenced the managerial planning and control of your company’s activity?
   1. Strongly agree [ ]
   2. Agree [ ]
   3. Disagree [ ]
   4. Strongly disagree [ ]
3. Is budgeting control system the only tool for the achievement of organizational objectives and goals?
   1. Strongly agree [ ]
   2. Agree [ ]
   3. Disagree [ ]
   4. Strongly disagree [ ]
4. Can budget actually be used as an instrument of control mechanism in an organization?
   1. Strongly agree [ ]
   2. Agree [ ]
   3. Disagree [ ]
   4. Strongly disagree [ ]
5. Has budgeting control really coordinate the activities of your company?

d. Strongly disagree [ ]

1. Do you think budget is all about financial responsibility?
   1. Strongly agree [ ]
   2. Agree [ ]
   3. Disagree [ ]
   4. Strongly disagree [ ]
2. Does effective and efficient use of resources through the use of budgetary control system improve productivity?
   1. Strongly agree [ ]
   2. Agree [ ]
   3. Disagree [ ]
   4. Strongly disagree [ ]
3. Should budget formulation be exclusively for only the accounting department?
   1. Strongly agree [ ]
   2. Agree [ ]
   3. Disagree [ ]
   4. Strongly disagree [ ]
4. There are no other control measures used in the actualization of organizational objectives other than the budgeting control system.

|  |  |  |
| --- | --- | --- |
| a. Strongly agree | [ | ] |
| b. Agree | [ | ] |
| c. Disagree | [ | ] |
| d. Strongly disagree | [ | ] |

1. Can budget of a company influence the budget of another?

|  |  |  |
| --- | --- | --- |
| a. Strongly agree | [ | ] |
| b. Agree | [ | ] |
| c. Disagree | [ | ] |
| d. Strongly disagree | [ | ] |

1. Do you think motivation can improve budget preparation?
   1. Strongly agree [ ]
   2. Agree [ ]
   3. Disagree [ ]
   4. Strongly disagree [ ]
2. Can budget control system be used to evaluate company’s performance?
   1. Strongly agree [ ]
   2. Agree [ ]
   3. Disagree [ ]
   4. Strongly disagree [ ]
3. Can budget assist executives concerned in fixing their responsibility in the light of expected results?

|  |  |  |
| --- | --- | --- |
| a. Strongly agree | [ | ] |
| b. Agree | [ | ] |
| c. Disagree | [ | ] |
| d. Strongly disagree | [ | ] |

1. Can budget promote division of work and specialization?

|  |  |  |
| --- | --- | --- |
| a. Strongly agree | [ | ] |
| b. Agree | [ | ] |
| c. Disagree | [ | ] |
| d. Strongly disagree | [ | ] |